

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	135.23	10.13	12.00	157.36	10.13	12.00	157.36	157.36
Personal Services	7,095,501	1,386,890	1,043,632	9,526,023	1,422,298	1,442,559	9,960,358	19,486,381
Operating Expenses	9,367,657	1,260,270	2,486,782	13,114,709	1,355,850	2,176,558	12,900,065	26,014,774
Equipment	42,023	10,000	160,000	212,023	10,000	0	52,023	264,046
Local Assistance	526,527,149	54,597,389	67,872,382	648,996,920	57,738,698	67,113,435	651,379,282	1,300,376,202
Grants	133,713,635	6,094,609	2,750,000	142,558,244	11,958,267	2,750,000	148,421,902	290,980,146
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$676,745,965	\$63,349,158	\$74,312,796	\$814,407,919	\$72,485,113	\$73,482,552	\$822,713,630	\$1,637,121,549
General Fund	531,682,484	55,520,462	74,057,662	661,260,608	58,727,859	73,010,658	663,421,001	1,324,681,609
State/Other Special	970,495	9,512	5,285	985,292	9,762	10,963	991,220	1,976,512
Federal Special	144,092,986	7,819,184	249,849	152,162,019	13,747,492	460,931	158,301,409	310,463,428
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$676,745,965	\$63,349,158	\$74,312,796	\$814,407,919	\$72,485,113	\$73,482,552	\$822,713,630	\$1,637,121,549

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) provides distribution of funding and services to Montana's school-age children and to teachers in approximately 431 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff also administers a number of federally-funded programs and provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Agency Highlights

Office of Public Instruction	
Major Budget Highlights	
<p>The legislature increased funding for OPI by \$283.6 million over the doubled 2006 base in the 2009 biennium. Of this amount, \$261.3 million is general fund, and \$22.3 million is federal funds.</p>	
<p>For state level programs, the increase in OPI's budget for the 2009 biennium is \$13.7 million, of which \$9.9 million is general fund, \$35,522 is state special and \$3.8 million is federal funds. The biennial general fund increases are for:</p> <ul style="list-style-type: none"> ◆ Present law adjustments of \$2.4 million, including Indian Ed for All; ◆ Extension of the K-12 data systems project - \$3.5 million; ◆ Hiring of six new curriculum specialists, \$1.9 million; ◆ New funding for Indian Education for All, \$1.0 million; ◆ Writing of the Little Shell Tribe's history, \$0.475 million; ◆ Funding for a computer server, \$160,000, ◆ Funding for the surplus computers program, \$26,200; and ◆ The remainder - statewide adjustments, adjustments for the pay plan, and higher retirement costs. 	

For the distribution to schools program, the increase in OPI's budget for the 2009 biennium is \$269.9 million compared to the 2006 base. Of this amount, \$18.5 million is federal funds and \$251.4 million is general fund. Of the general fund amount, \$111.9 million is present law adjustments and \$139.5 million are new proposals.

The present law adjustments include adjustments for inflation and the 4 new payments to schools created in the 2005 special session, higher guarantee account revenue, and other minor adjustments.

The new proposals in the distribution to schools program include, in biennial dollars:

- ◆ Full-time kindergarten, \$28.3 million;
- ◆ Full-time kindergarten startup costs, OTO, \$10 million
- ◆ Increased quality educator payments, \$26.5 million
- ◆ New middle school entitlement, \$1.0 million
- ◆ An increase in the state share by raising the GTB ratio to 193 percent, \$21.4 million
- ◆ Diversion of royalties on state lands into a facilities trust, \$40.8 million
- ◆ Increase in special education by inflation, \$3.9 million
- ◆ Increase the adult education payment, \$0.5 million
- ◆ Increase the school facility payment, \$2.2 million
- ◆ Increase in gifted and talented payment, OTO, \$2.0 million
- ◆ Increase the Indian Ed for All payment, OTO, \$3.0 million

Summary of Legislative Action

The legislature failed to pass a bill funding OPI and K-12 during the regular 2007 session. The legislature met in special session in May 2007 and passed HB 2, funding OPI and K-12, and SB 2, which contained the policy changes for K-12.

The impact of HB 2 is described above in the major highlights. SB 2 is described below.

SB 2 includes the following changes to school funding laws:

- Increases the basic and per-ANB entitlements by 2.76 percent in FY 2008 and by 3.0 percent in FY 2009. The basic and per-ANB entitlements are set as follows:

Entitlement	FY 2007	FY 2008	FY 2009
Elementary Basic	\$20,718	\$21,290	\$21,929
Middle School Basic	---	\$60,275	\$62,083
High School Basic	\$230,199	\$236,552	\$243,649
Elementary Per ANB	\$4,456	\$4,579	\$4,716
High School Per ANB	\$5,704	\$5,861	\$6,037

- Increases the quality educator payment to \$3,036 in FY 2008 and \$3,042 in FY 2009. Licensed social workers and licensed psychologists are added to the list of licensed professionals included in the quality educator payment, which is deposited into the district general fund. SB 335 added youth challenge instructors to the quality educator payment.
- Provides state ANB funding for students enrolled in full-time kindergarten programs. A school district may offer a half-time (a minimum of 360 hours) or a full-time (a minimum of 720 hours) kindergarten program. If the district enrolls students in a full-time kindergarten program, full-time ANB funding will be provided. Schools must allow a parent to enroll a child half-time in a full-time kindergarten program.

- Allows the superintendent of public instruction to increase the ANB count for a district that is transitioning from half-time to full-time kindergarten. Kindergarten enrollment in the previous year is counted as full-time enrollment for determining ANB counts for the current year. OPI will use enrollment counts reported to OPI in October 2006 to determine kindergarten ANB for FY 2008. For the purpose of calculating the 3-year average ANB, one-half of the previous year's kindergarten enrollment will be added to the 3-year average ANB.
- Creates a mechanism for distributing a one-time only payment to elementary districts for start-up costs for full-time kindergarten. The money will be distributed based on kindergarten enrollment reported to OPI in October 2006. To receive the money, school districts must indicate their intent to offer full-time kindergarten by FY 2012. For school districts that do not indicate their intent to offer full-time kindergarten by July 1, 2012, the money designated for these districts will revert to the state general fund. HB 2 appropriates \$10 million for distribution to elementary programs, which is estimated to be approximately \$971 per kindergarten student.
- Creates a basic entitlement for middle school and 7-8 grade programs, and eliminates the weighted elementary basic entitlement that existed previously. An elementary district with an approved and accredited junior high school, 7-8 grade program, or middle school will receive a basic entitlement for the K-6 program of \$21,290 and a basic entitlement for its 7-8 grade program of \$60,275 in FY 2008. The total basic entitlement for the elementary district with an approved and accredited junior high school, 7-8 grade program, or middle school is \$81,565 in FY 2008.
- Defines one-quarter enrollment for ANB purposes to be 180 to 359 aggregate hours of pupil instruction. The previous definition was based on 181 to 359 hours.
- Increases the percentage of the statewide taxable valuation included in the calculation of the “statewide GTB ratio” from 175 percent to 193 percent effective for the FY 2008 school year. The number of school districts eligible for guaranteed tax base aid is estimated to increase from 306 to 323 as a result of this change. Base taxes for the district general fund are expected to decline by \$21.0 million in the 2009 biennium.
- Limits the expenditure of the Indian Education for All payment to curriculum development, providing curriculum materials to students, and providing training to teachers about the curriculum and materials. Requires school districts to file an annual report to OPI that specifies how the Indian Education for All funds were expended.
- Creates a mechanism for distributing a one-time only payment for Indian Education for All on a per-ANB basis with a minimum of \$500 per district. HB 2 appropriates \$1.5 million per year to be distributed to schools’ miscellaneous programs fund for Indian Education for All.
- Creates a mechanism for distributing a one-time only payment to school districts of up to \$30 million in FY 2008 for capital investment and deferred maintenance. School districts must deposit the money in the miscellaneous programs fund. The money must be spent by the end of FY 2017 to avoid reversion to the state.
 - This funding will be distributed per school unit, which is defined as 800 ANB for a high school district; 250 ANB for the K-6 ANB of an elementary district with an approved 7-8 grade program, junior high school or middle school; 250 ANB for the K-8 ANB of an elementary district without an approved 7-8 grade program, junior high school or middle school; and 450 ANB for the 7-8 grade ANB of an elementary district with an approved 7-8 grade program, junior high school or middle school. The number of school units for a district is determined using current year ANB. It is estimated that there will be 878.4 school units in FY 2008.
 - The amount that will be distributed to schools is the amount by which the unaudited general fund revenue in FY 2007 exceeds the revenue estimate of \$1,762,355,000. The total appropriation for the school unit payment is limited to \$30 million. At \$30 million, the school unit payment is estimated to be \$33,948 per school unit in FY 2008. The amount of money available for distribution to schools is

expected to be known in August 2007. The money will be distributed to school districts on the same schedule as direct state aid.

- Creates a school facility account in the state special revenue fund to provide money to schools to implement the recommendations of the school facility condition and needs assessment and energy audit that will be completed in July 2008. The money will not be distributed to schools in the 2009 biennium. The purpose of the account is to set aside money for major deferred maintenance that improves energy efficiency in school facilities and critical infrastructure in school districts. The source of revenue for the school facility account is mineral royalties from production on school trust lands. The amount of revenue to be deposited in the account is estimated to be \$40.7 million during the 2009 biennium and a total \$52 million by the end of FY 2010, after which the mineral royalties will once again be deposited in the permanent school trust fund.
- Creates a quality educator loan assistance program, administered by the Board of Regents, to assist educators in the repayment of educational loans in an amount of up to \$3,000 annually for four years. The loan assistance is available to educators and licensed professionals who are:
 - Employed in the K-12 public school system, including school districts, special education cooperatives, the Montana School for the Deaf and Blind, the Montana Youth Challenge Program, and state youth correctional facilities; and
 - Teaching in a school and subject area that are impacted by critical quality educator shortages as recommended by the Office of Public Instruction and approved by the Board of Public Education.
- Revises the Governor's postsecondary scholarship program to provide scholarships on the basis of need and merit to Montana residents toward the cost of attending 2-year and 4-year postsecondary institutions and to allocate some of the scholarships to specific areas of study that promote economic development or address critical workforce shortage areas in Montana.

HB 2 appropriates funding for schools in addition to the amounts listed above:

- \$1.25 million in each year of the 2009 biennium for gifted and talented programs. Of this amount, \$250,000 is on-going funding and \$1 million is one-time only. The funds will be distributed through an application process in the same manner that gifted and talented funding is currently distributed.
- Inflationary increases for special education at a rate of 2.76 percent in FY 2008 and 3.0 percent in FY 2009. The total appropriation for special education is \$40.434 million for FY 2008 and \$41.647 million for FY 2009.
- \$5 million in each year of the 2009 biennium for the at-risk payment, which is deposited into the district general fund.
- Funding for expenditures outside of the school district general fund, including state reimbursements for pupil transportation, school facility reimbursements, secondary vocational education, adult basic education, in-state treatment, school foods, and traffic safety. It also provides revenues to schools to offset property taxes through HB 124 block grants and state tuition payments.

Other Legislation

HB 363 - Under previous law, school districts were able to budget above the maximum general fund budget beginning in FY 2002 for at most 5 years, unless grandfathered in by HB 663 passed during the 1993 session. The rule required that, with a vote, the proposed current year budget could be the larger of the prior year's budget or the maximum general fund budget. This was called the "soft cap" and required districts to budget at a level no higher than their then-current maximum budget in the sixth year.

HB 363 abolishes the “soft cap” and the five year rule. HB 363 says that if the prior year general fund budget is greater than the current year’s maximum budget, a district may propose that the current year budget be the same as the prior year budget and fund it with property taxes permissively levied if funding of the proposed current year budget requires no increase from the prior year in the over-BASE budget levy. If an increase in the over-BASE budget levy is required to fund the proposed current year general fund budget, then the difference (current year over-BASE budget levy less prior year over-BASE budget levy) must be submitted to the voters.

Previous law, because of its wording, made it impossible for certain districts already budgeting above the maximum budget to receive and use any new state money. For instance, but for a ruling by the Superintendent of Public Instruction before the beginning of the FY 2007 school year, subsequently upheld by the Attorney General, that allowed districts to increase their prior year general fund budgets by the amount of the increase in state funding passed by the special session in December 2005, over-max districts would have received the extra state money from the special session and been required to reduce over-base property taxes instead of using the money to increase district general fund spending.

HB 363 explicitly allows the prior year general fund budget (used for budgeting purposes) to be increased by the amount of increased state money coming from the quality educator payment, the at risk payment, the achievement gap payment and the Indian Ed for All payment, none of which have local property tax match requirements.

The impact of HB 363 on state finances is zero. However, it may render the concept of a maximum general fund budget, as instituted in HB 663 in response to an equity lawsuit in 1989, as nearly meaningless. It is probable that an increasing number of districts, with approval by their voters, will budget at the prior year level rather than be forced to budget at the (lower) maximum budget. It may also erode the state’s share of the district general fund budget at a rate faster than under previous law.

SB 291 – Allows creation of a high school district for the purpose of expanding an elementary district into a K-12 district when certain limited conditions exist:

- The nearest elementary building is at least 40 miles from the nearest high school;
- The trip from the elementary to the nearest high school is 60 minutes or more;
- Periodically, road conditions make it impractical to attend the nearest high school;
- At least 50 students reside in the elementary district; and
- The taxable valuation and boundaries of the combining elementary and high school are the same.

The bill sets a process for the creation and transitional funding for the resulting K-12 district, establishes trustee roles, and clarifies the responsibilities of taxpayers in the combining districts for paying existing bonds.

HB 672 – Increases the taxable value limit by which a school district may become indebted. The previous law said that all school district indebtedness represented by outstanding general obligation bonds may not exceed 45 percent of the taxable value of an elementary district, 45 percent of a high school district, and 90 percent of a K-12 district. HB 672 changes these percentages to 45 percent for elementary and high school districts and 100 percent for K-12 districts. HB 672 also clarifies that the school debt service guaranteed tax base program, which requires calculation of a district mill value per ANB, may use the larger of current year ANB or three year averaged ANB.

HB 672 has no impact of state finances during the 2009 biennium or beyond.

HB 677 – Appropriates \$250,000 for the 2009 biennium to the Board of Crime Control for grants to fund existing after-school prevention and at-risk programs. The grants will be made directly to districts, and may be matched with federal or private funds. Up to 3 percent of the appropriation amount may be used by the board for administration expenses. It is expected that one-half of the amount appropriated will be spent in the first year, and the rest in the second year.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 State Level Activities	\$ 20,257,061	\$ 476,512	\$ 26,029,284	\$ 46,762,857	2.86%
09 Local Education Activities	<u>1,304,424,548</u>	<u>1,500,000</u>	<u>284,434,144</u>	<u>1,590,358,692</u>	<u>97.14%</u>
Grand Total	<u>\$ 1,324,681,609</u>	<u>\$ 1,976,512</u>	<u>\$ 310,463,428</u>	<u>\$1,637,121,549</u>	100.00%

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	135.23	157.36	157.36	0.00	157.36	157.36	0.00	
Personal Services	7,095,501	9,153,758	9,526,023	372,265	9,189,766	9,960,358	770,592	1,142,857
Operating Expenses	9,367,657	13,122,326	13,114,709	(7,617)	12,907,730	12,900,065	(7,665)	(15,282)
Equipment	42,023	212,023	212,023	0	52,023	52,023	0	0
Local Assistance	526,527,149	625,564,557	648,996,920	23,432,363	640,233,315	651,379,282	11,145,967	34,578,330
Grants	133,713,635	140,058,244	142,558,244	2,500,000	145,921,902	148,421,902	2,500,000	5,000,000
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$676,745,965	\$788,110,908	\$814,407,919	\$26,297,011	\$808,304,736	\$822,713,630	\$14,408,894	\$40,705,905
General Fund	531,682,484	635,171,797	661,260,608	26,088,811	649,437,324	663,421,001	13,983,677	40,072,488
State/Other Special	970,495	980,014	985,292	5,278	980,265	991,220	10,955	16,233
Federal Special	144,092,986	151,959,097	152,162,019	202,922	157,887,147	158,301,409	414,262	617,184
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$676,745,965	\$788,110,908	\$814,407,919	\$26,297,011	\$808,304,736	\$822,713,630	\$14,408,894	\$40,705,905

The legislature approved a budget for OPI during the 2009 biennium that is \$40.1 million above the budget proposed by the executive. The primary drivers of this difference are these legislative changes:

- Provide tax relief by raising the GTB ratio to 193 percent, \$21.4 million
- Provide startup costs for full time kindergarten, \$10.0 million
- Higher estimated costs for full-time kindergarten than estimated by the executive, \$3.1 million
- One-time-only payments for gifted and talented \$2.0 million and Indian Ed for All \$3.0 million
- Substitution of higher quality educator payments for the retirement proposal proposed by the executive \$0.0 million
- Other changes, \$0.6 million

In addition, there are small increases in the legislative budget as compared with the executive budget in state special and federal sources. These are due to the pay plan and higher retirement costs.

Language

“The office of public instruction may distribute funds from the appropriation for In-State Treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.”

“Except for the amount appropriated for administration from the traffic education account in OPI Administration, all remaining revenue up to \$1.1 million in the traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.”

“All appropriations for federal special revenue programs in state level activities and in local educational activities and all general fund appropriations in local educational activities are biennial.”

“If the unaudited general fund revenue received in fiscal year 2007 exceeds \$1,762,355,000, then the amount of the general fund unaudited revenue for fiscal year 2007 that exceeds \$1,762,355,000, up to \$30 million, is appropriated to the office of public instruction for distribution to schools in accordance with [LC 4] for the capital investment and deferred maintenance one-time-only payment.”

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	135.23	10.13	12.00	157.36	10.13	12.00	157.36	157.36
Personal Services	7,095,501	1,386,890	1,043,632	9,526,023	1,422,298	1,442,559	9,960,358	19,486,381
Operating Expenses	9,366,690	1,259,238	2,486,782	13,112,710	1,354,818	2,176,558	12,898,066	26,010,776
Equipment	42,023	10,000	160,000	212,023	10,000	0	52,023	264,046
Local Assistance	25,827	0	475,000	500,827	0	475,000	500,827	1,001,654
Grants	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$16,530,041	\$2,656,128	\$4,165,414	\$23,351,583	\$2,787,116	\$4,094,117	\$23,411,274	\$46,762,857
General Fund	5,180,391	1,148,844	3,910,280	10,239,515	1,214,932	3,622,223	10,017,546	20,257,061
State/Other Special	220,495	9,512	5,285	235,292	9,762	10,963	241,220	476,512
Federal Special	11,129,155	1,497,772	249,849	12,876,776	1,562,422	460,931	13,152,508	26,029,284
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$16,530,041	\$2,656,128	\$4,165,414	\$23,351,583	\$2,787,116	\$4,094,117	\$23,411,274	\$46,762,857

Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including: 1) curriculum assistance; 2) special education; 3) ESEA/NCLB administration; 4) secondary vocational education administration; and 5) other educational services.

Program Highlights

OPI Administration
Major Budget Highlights
<p>The OPI budget for state level programs increases for the 2009 biennium by \$13.7 million, of which \$9.9 million is general fund, \$35,522 is state special and \$3.8 million is federal funds. The biennial general fund increases are for:</p> <ul style="list-style-type: none"> ◆ Present law adjustments of \$2.4 million, including Indian Ed for All ◆ Extension of the K-12 data systems project - \$3.5 million ◆ Hiring of six new curriculum specialists - \$1.9 million ◆ New funding for Indian Education for All - \$1.0 million ◆ Writing of the Little Shell Tribe's history - \$0.475 million ◆ Funding for a computer server - \$160,000 OTO ◆ Funding for the surplus computers program - \$26,200 ◆ And the remainder - statewide adjustments, adjustments for the pay plan and higher retirement costs

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
State Level Activities						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 5,180,391	31.3%	\$ 10,239,515	43.8%	\$ 10,017,546	42.8%
01100 General Fund	5,180,391	31.3%	10,239,515	43.8%	10,017,546	42.8%
02000 Total State Special Funds	220,495	1.3%	235,292	1.0%	241,220	1.0%
02001 School Lunch Program	101,359	0.6%	102,615	0.4%	104,852	0.4%
02402 Traffic & Safety Education	111,708	0.7%	125,205	0.5%	128,903	0.6%
02618 Prof Educator Prep Program	7,428	0.0%	7,472	0.0%	7,465	0.0%
03000 Total Federal Special Funds	11,129,155	67.3%	12,876,776	55.1%	13,152,508	56.2%
03002 Public Instruction	11,129,155	67.3%	12,876,776	55.1%	13,152,508	56.2%
Grand Total	\$ 16,530,041	100.0%	\$ 23,351,583	100.0%	\$ 23,411,274	100.0%

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,230,650					1,267,091
Vacancy Savings				(328,150)					(329,604)
Inflation/Deflation				32,266					38,488
Fixed Costs				31,785					38,892
Total Statewide Present Law Adjustments				\$966,551					\$1,014,867
DP 19 - Statewide Student Assessment (NRT)									
0.00	27,500	0	0	27,500	0.00	42,500	0	0	42,500
DP 21 - Hearing Conservation Program									
0.00	28,007	0	0	28,007	0.00	49,990	0	0	49,990
DP 30 - Indian Education for All Reestablished									
0.00	573,200	0	0	573,200	0.00	573,200	0	0	573,200
DP 31 - Federal Grant Award Adjustment - 06									
10.00	0	0	865,013	865,013	10.00	0	0	901,966	901,966
DP 34 - Traffic Education 0.125 FTE HB 0002									
0.13	0	4,046	0	4,046	0.13	0	4,052	0	4,052
DP 51 - Indirect Cost of Base Adjustments									
0.00	82,301	896	98,319	181,516	0.00	86,826	937	102,530	190,293
DP 6015 - State Motor Pool Rate Change									
0.00	(653)	(7)	(821)	(1,481)	0.00	(680)	(8)	(840)	(1,528)
DP 33002 - Gifted and Talented Staff Request									
0.00	11,776	0	0	11,776	0.00	11,776	0	0	11,776
Total Other Present Law Adjustments									
10.13	\$722,131	\$4,935	\$962,511	\$1,689,577	10.13	\$763,612	\$4,981	\$1,003,656	\$1,772,249
Grand Total All Present Law Adjustments				\$2,656,128					\$2,787,116

DP 19 - Statewide Student Assessment (NRT) - The legislature approved increased spending for costs associated with the OPI contract for administration of a statewide norm-referenced test in grades 4, 8 and 11. These costs estimated to be \$27,500 in FY 2008 and \$42,500 in FY 2009. The statewide student assessment is required by the administrative rules of the Board of Public Education for the accreditation of schools. The Office of Public Instruction estimates that the cost of a new contract will be \$310,000 in FY 2008 and \$325,000 in FY 2009. The present law base for the Statewide Student Assessment is \$282,500.

DP 21 - Hearing Conservation Program - The legislature approved spending for contracts with regional audiological evaluators for the hearing conservation program. The cost is estimated to grow 3 percent or \$18,007 in FY 2008 and \$39,990 in FY 2009. Additionally, replacement and maintenance of equipment used to test hearing for K-12 school children across the state is proposed at \$10,000 in each year of the 2009 biennium. Contracts with providers expire on June 30, 2007.

DP 30 - Indian Education for All Reestablished - The legislature approved reestablishing the Indian Education for All in state level activities for OPI. The 2005 Legislature established a biennial appropriation of \$2,310,846 in the 2007 biennium (\$1,155,423 each year) to create the Indian Education for All program. In FY 2006, only \$582,223 was spent. This decision package would add \$573,200 in each year of the 2009 biennium to the FY 2006 amount, making the 2009 biennial appropriation slightly less than during the 2007 biennium.

DP 31 - Federal Grant Award Adjustment - 06 - The legislature approved higher federal spending authority for grant awards due to standard increases in federal funding. Funds are used to support the administration of current federal grants and provide technical assistance to schools. The adjustment is \$865,012 in FY 2008 and \$901,966 in FY 2009. This is a biennial appropriation.

DP 34 - Traffic Education 0.125 FTE HB 0002 - The legislature approved a state special spending authority increase of \$8,098 for the 2009 biennium and 0.125 FTE for increased administrative support for the traffic education program. This position is part of the superintendent's staff to fulfill statutory requirements of M.C.A. Title 20, Chapter 7, Part 5, Traffic Education for Montana schools.

The legislature approved a total of 0.25 FTE increase split between two budgets. It increases state special funded administrative support position for the traffic education program by 0.125 FTE - from 0.4 to 0.525; and proprietary enterprise funded administrative support position for the Montana DRIVE program by 0.125 FTE - from 0.1 to 0.225. The proprietary funded position is not included in HB 2 (See the "Proprietary Rates" Section)

DP 51 - Indirect Cost of Base Adjustments - The legislature approved additional appropriation authority for the indirect cost portion of the general fund, state special revenue fund, and federal fund base adjustments. The general fund increase is \$82,301 in FY 2008 and \$86,826 in FY 2009. The federal funds increase is \$98,319 in FY 2007 and \$102,530 in FY 2008. In addition to providing central services within the agency, these adjustments fund increases in statewide cost assessments for the legislative audit, SABHRS costs, a portion of the increases in rent, and others. For further discussion, see the "Proprietary Rates" section.

DP 6015 - State Motor Pool Rate Change - The legislature approved new rates for the State Motor Pool from the rates requested by the Governor. This adjustment aligns agency budgets to correspond to the approved State Motor Pool rates.

DP 33002 - Gifted and Talented Staff Request - The legislature approved continuation of the operating expenses not in the base year for the 0.50 FTE gifted and talented specialist funded in FY 2007 by the 2005 legislature will cost \$11,776 each year of the biennium. This position assists school gifted and talented programs across the state. The personal services money associated with this position are in the statewide present law adjustments. This money in this proposal is for operating expenses.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2008-----				-----Fiscal 2009-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6 - K12 Education Data Systems										
06	4.00	1,866,814	0	0	1,866,814	4.00	1,592,133	0	0	1,592,133
DP 8 - Curriculum Specialist Support to Quality Schools										
06	6.00	959,700	0	0	959,700	6.00	924,816	0	0	924,816
DP 16 - Storage Area Network (SAN) Replacement - OTO										
06	0.00	160,000	0	0	160,000	0.00	0	0	0	0
DP 33 - School Support System Assistant (Federal)										
06	1.00	0	0	46,107	46,107	1.00	0	0	45,829	45,829
DP 53 - Indian Education Programs										
06	1.00	509,928	0	0	509,928	1.00	510,147	0	0	510,147
DP 54 - Indian Ed for All Tribal History - Biennial OTO										
06	0.00	237,500	0	0	237,500	0.00	237,500	0	0	237,500
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	149,533	4,182	174,574	328,289	0.00	330,201	9,819	384,967	724,987
DP 6014 - Retirement Employer Contributions - HB 131, HB63										
06	0.00	13,705	1,103	29,168	43,976	0.00	14,326	1,144	30,135	45,605
DP 23002 - Surplus Computers for Schools										
06	0.00	13,100	0	0	13,100	0.00	13,100	0	0	13,100
Total	12.00	\$3,910,280	\$5,285	\$249,849	\$4,165,414	12.00	\$3,622,223	\$10,963	\$460,931	\$4,094,117

DP 6 - K12 Education Data Systems - The legislature provided continued funding for a K-12 education data system that was developed with one time only funding in the 2005 legislature. This data system will continue to improve data collection practices and data quality about K-12 students and be enhanced to include data on educators. Continuation, enhancement, and expansion of the K-12 education data system would cost \$3.459 million in the 2009 biennium and provide 4.0 FTE to the Office of Public Instruction (OPI) for the operation and maintenance of the systems.

DP 8 - Curriculum Specialist Support to Quality Schools - The legislature approved funding for curriculum specialists to support schools at a biennial cost of \$1.885 million. The new 6.0 FTE would provide technical assistance to K-12 quality public schools in curricular areas such as science, mathematics, early childhood (kindergarten), communications arts (including reading, writing, listening, and speaking), library media, and high school curriculum/dropout prevention.

DP 16 - Storage Area Network (SAN) Replacement - OTO - The legislature approved one-time-only funding for the OPI Storage Area Network. The OPI Storage Area Network (SAN) is a machine that houses the OPI servers that contain OPI's data and computer software. The SAN was purchased in 2004, will be obsolete in 2008, and will no longer be on a maintenance contract. The state's standard replacement period for this type of equipment is 4 years, and the equipment and software must be replaced in 2008. The cost is \$71,000 for SAN equipment, \$66,000 for SAN software, and \$23,000 for fiber switches. This results in a one-time cost of \$160,000 in the first year of the biennium.

The SAN replacement was included in the State IT Plan for the biennium (OPI IT Plan, March 2006 "ITO 3-0 Replace existing SAN").

DP 33 - School Support System Assistant (Federal) - The legislature approved \$46,107 in FY 2008 and \$45,829 in FY 2009 in federal money for 1.00 FTE administrative support position to assist the Title I director and accreditation specialist in operating the federally required School Support System. The position will schedule and manage logistics for up to 50 school visitations per year to comply with federal law.

DP 53 - Indian Education Programs - The legislature approved continued funding of \$509,928 in FY 2008 and \$510,147 in FY 2009 for the Office of Public Instruction to assist quality schools with the unique needs of American Indian students and ensuring that Indian Education for All is imbedded in the classroom instruction. This request includes funding 1.0 FTE for an Indian achievement gap analyst to gather data, analyze successful strategies, and provide technical assistance to improve Indian student achievement to coordinate with the Indian Achievement Gap component of the school funding formula.

DP 54 - Indian Ed for All Tribal History - Biennial OTO - The legislature approved funding to complete an effort started in the 2005 legislature to record Montana's tribal histories for K-12 students as part of Indian Education for All. The funds would be distributed as follows:

- \$200,000 is requested for the Little Shell Tribal Nation to write their history since they were not included in the 2007 legislative appropriation for the seven tribal colleges to detail tribal histories. These funds would be distributed to the Great Falls College of Technology who will work with the Little Shell Tribal Nation.
- \$175,000 is requested for the seven tribal colleges (\$25,000 each) to coordinate with OPI for completion of the history project started in the 2007 biennium. These funds will be distributed through the OPI.
- \$100,000 is requested for OPI for oversight of the tribal history curriculum development and implementation for use by K-12

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131, HB63 - The legislature adopted HB 131 and HB 63, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 23002 - Surplus Computers for Schools - The legislature added \$13,100 in each year of the biennium to pay a portion of the rent on the facility used by OPI to warehouse, process, and distribute surplus state computer equipment to school districts across the state under the Surplus Computer Program.

Proprietary Rates

Proprietary Program Description

OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program (also known as Montana D.R.I.V.E.) - This is a seasonal hands-on behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction at their training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, MDT employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

Proprietary Revenues and Expenses

Revenue Description

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed \$1,099,972 (SABHRS revenue account 584002) towards the cost of "indirects"; general and other state-funded programs contributed \$879,092 (SABHRS revenue account 520260). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827.

Expense Description

Costs of OPI operations that are paid from the indirect cost pool include:

Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff).

Services provided to OPI by other state agencies for a fee:

- Depart. of Admin. (DofA) General Liability Insurance and Employee Bonds
- DofA Warrant writing fees
- DofA Payroll Service fees
- DofA telephone equipment charges
- DofA rent charge for common areas (bathrooms, halls, conference rooms)
- Legislative Audit fees
- DofA network service fees
- Fish, Wildlife and Parks grounds maintenance fee
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.15 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment

Working Capital Discussion

Working Capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

Fund Equity and Reserved Fund Balance

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

DRIVE (Driver In-Vehicle Education) Program in Lewistown**Revenue Description**

Revenues are generated from workshop fees collected from participants in the program and from other track users for the use of the facility. Typically the program services 450-550 participants a season. The current fee is \$225 for full-day workshop per person and \$135 for a half-day. There will be anticipated growth in services to participants of 10 percent. This increase is due to an agreement with MDT to conduct a teen research project. It is also expected to see modest growth in other users of the track who pay for its use.

Expense Description

Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses, classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Unexpected increases in fuel costs this last year consumed the revenue projected to support periodic capital and maintenance costs. It is anticipated that an increase in fees is needed to keep abreast of inflation.

Working Capital Discussion

This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four grade 16 instructors for each workshop (10 - 11 hours per day each). A director (0.15) and a program specialist (0.125) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Fund Equity and Reserved Fund Balance

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and carryover of revenues from year to year an amount of approximately 10 - 20 percent of its annual budget.

Proprietary Rate Explanation

OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The proposed rate for fiscal years 2008 through 2010 is 19.4 percent.

The DRIVE Program Rates

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets. Facility use rates are fixed rates that reflect a share of facility costs to lease and maintain track and buildings.

Proprietary Rate Explanation

OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The proposed rate for fiscal years 2008 through 2010 is 19.14 percent.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	967	1,032	0	1,999	1,032	0	1,999	3,998
Local Assistance	526,501,322	54,597,389	67,397,382	648,496,093	57,738,698	66,638,435	650,878,455	1,299,374,548
Grants	133,713,635	6,094,609	2,750,000	142,558,244	11,958,267	2,750,000	148,421,902	290,980,146
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$660,215,924	\$60,693,030	\$70,147,382	\$791,056,336	\$69,697,997	\$69,388,435	\$799,302,356	\$1,590,358,692
General Fund	526,502,093	54,371,618	70,147,382	651,021,093	57,512,927	69,388,435	653,403,455	1,304,424,548
State/Other Special	750,000	0	0	750,000	0	0	750,000	1,500,000
Federal Special	132,963,831	6,321,412	0	139,285,243	12,185,070	0	145,148,901	284,434,144
Total Funds	\$660,215,924	\$60,693,030	\$70,147,382	\$791,056,336	\$69,697,997	\$69,388,435	\$799,302,356	\$1,590,358,692

Program Description

The Local Education Activities program is used by OPI to distribute various state and federal funds to local education agencies.

Program Highlights

Office Of Public Instruction Local Education Activities – Distribution to Schools Program Major Budget Highlights
<p>For the distribution to schools program, the increase in OPI's budget for the 2009 biennium is \$269.9 million compared to the 2006 base. Of this amount, \$18.5 million is federal funds and \$251.4 million is general fund. Of the general fund amount, \$111.9 million are present law adjustments and \$139.5 million are new proposals.</p> <p>The present law adjustments include adjustments for inflation and the 4 new payments to schools created in the 2005 special session, higher guarantee account revenue, and other minor adjustments.</p> <p>The new proposals in the distribution to schools program include, in biennial dollars:</p> <ul style="list-style-type: none"> ◆ Full-time kindergarten, \$28.3 million ◆ Full-time kindergarten startup costs, OTO, \$10 million ◆ Increased quality educator payments, \$26.5 million ◆ New middle school entitlement, \$1.0 million ◆ An increase in the state share by raising the GTB ratio to 193 percent, \$21.4 million ◆ Diversion of royalties on state lands into a facilities trust, \$40.8 million ◆ Increase in special education by inflation, \$3.9 million ◆ Increase in the adult education payment, \$0.5 million ◆ Increase in the school facility payment, \$2.2 million ◆ Increase in the gifted and talented payment, OTO, \$2.0 million ◆ Increase in the Indian Ed for All payment, OTO, \$3.0 million

The following provides an additional summary of these new proposals. Of the \$139.5 million in new proposals in the distribution to schools program:

- ◆ Ongoing new money to K-12 was \$62.4 million, consisting of full-time kindergarten, increases in the quality educator payment, the new middle school entitlement, and other increases in special education, facilities, and adult education
- ◆ Ongoing new appropriations in the state general fund that do not represent new money to school districts are \$62.1 million, consisting of diversion of state lands royalties to a facilities trust, and the substitution of state base aid for local property taxes
- ◆ Contingent one-time-only money of \$15.0 million is for full-time kindergarten, Indian Ed for All, and gifted and talented
- ◆ One-time-only funds of up to \$30 million, if the state general fund revenue estimate is exceeded districts will receive the excess up to \$30 million for capital investment and maintenance

This is shown in the following figure:

K-12 Appropriations - 2009 Biennium				
	FY 2008	FY 2009	Biennial	Percent Change Compared with 2007 Biennium
Present Law Adjustments - Compared with Base 2006	\$54,371,618	\$57,512,927	\$111,884,545	
New Proposals				
New Ongoing Money for Schools				
Full-Time Kindergarten	13,143,203	15,118,813	28,262,016	
Quality Educator	13,194,454	13,326,127	26,520,581	
Create Middle School Basic Entitlement	507,356	508,753	1,016,109	
Other (Special Ed, Facilities, Adult Ed)	<u>2,613,689</u>	<u>3,985,011</u>	<u>6,598,700</u>	
Total New Ongoing Money For Schools	<u>\$29,458,702</u>	<u>\$32,938,704</u>	<u>\$62,397,407</u>	5.4%
Ongoing Appropriations For Schools that are Not New Money				
GTB Tax Relief - Raise GTB Ratio to 193%	10,606,962	10,775,429	21,382,391	
Divert Royalties from State Lands to Facility Trust (SB 2)	<u>17,581,718</u>	<u>23,174,302</u>	<u>40,756,020</u>	
Total Approps that are not new money for schools	<u>\$28,188,680</u>	<u>\$33,949,731</u>	<u>\$62,138,411</u>	5.4%
One-Time-Only Approps to Schools - New Money				
Indian Ed for All	1,500,000	1,500,000	3,000,000	
Full-Time Kindergarten	10,000,000	0	10,000,000	
Gifted and Talented	1,000,000	1,000,000	2,000,000	
Capital and Maintenance - Contingent on FY 2007 Revenue	<u>30,000,000</u>	<u>0</u>	<u>30,000,000</u>	
Total OTO Money	<u>\$42,500,000</u>	<u>\$2,500,000</u>	<u>\$45,000,000</u>	3.9%
Total New Money to Schools - Ongoing and OTO	<u>\$71,958,702</u>	<u>\$35,438,704</u>	<u>\$107,397,407</u>	9.4%

Distribution to Schools, General Fund, State Special, and Federal Funds							
Description	Base Budget 2006	PL Base Adjustments Fiscal 2008	New Proposals Fiscal 2008	Total Fiscal 2008	PL Base Adjustments Fiscal 2009	New Proposals Fiscal 2009	Total Fiscal 2009
Base Aid (General Fund & Guarantee Acct)	\$479,673,912	\$52,807,982	\$37,631,907	\$570,113,802	\$61,955,627	\$40,067,348	\$581,696,887
General Fund							
Base Aid							
Direct State Aid	\$281,180,149	\$8,939,461	\$17,581,718	\$307,701,329	\$8,167,596	\$23,174,302	\$312,522,047
GTB - School General Fund	109,475,518	4,600,330	179,932	114,255,780	6,956,300	338,225	116,770,043
GTB - School Retirement	22,186,712	2,445,484	0	24,632,196	3,561,624	0	25,748,337
Raise GTB Ratio to 193 %	0	0	10,606,962	10,606,962	0	10,775,429	10,775,429
Indian Ed Ongoing	0	2,971,940	0	2,971,940	2,932,260	0	2,932,260
Close Achievement Gap	0	3,293,200	0	3,293,200	3,281,200	0	3,281,200
Per Educator	0	24,638,320	13,138,915	37,777,235	24,638,320	13,270,588	37,908,908
Create Middle School Entitlement	0	0	507,356	507,356	0	508,753	508,753
At Risk Payment (Appropriated Separately)	0	5,000,000	0	5,000,000	5,000,000	0	5,000,000
Full-Time Kindergarten	0	0	13,143,203	13,143,203	0	15,118,813	15,118,813
Add Licensed Professionals to QE Payment	0	0	55,539	55,539	0	55,539	55,539
School District Audits	147,150	29,300	0	176,450	34,600	0	181,750
Special Education	38,488,071	860,218	1,086,013	40,434,302	860,218	2,299,042	41,647,331
Transportation	12,142,550	330,000	0	12,472,550	430,000	0	12,572,550
School Facility Reimbursement	9,411,293	0	1,097,744	10,509,037	0	1,097,744	10,509,037
Instate Treatment	858,038	116,857	0	974,895	116,857	0	974,895
Secondary Vo Ed	1,000,000	0	0	1,000,000	0	0	1,000,000
Adult Basic Ed	274,997	3	250,000	525,000	3	250,000	525,000
Gifted & Talented	235,821	14,179	0	250,000	14,179	0	250,000
School Food	648,655	0	0	648,655	0	0	648,655
HB 124 Block Grants	50,213,185	766,141	0	50,979,326	1,153,584	0	51,366,769
State Tuition Payments	0	606,138	0	606,138	606,138	0	606,138
Indian Education For All	239,953	-239,953	0	0	-239,953	0	0
Full-Time Kindergarten Startup Costs (OTO)	0	0	10,000,000	10,000,000	0	0	0
Gifted and Talented Payment (OTO)	0	0	1,000,000	1,000,000	0	1,000,000	1,000,000
Indian Education for All Payment (OTO)	0	0	1,500,000	1,500,000	0	1,500,000	1,500,000
Total General Fund	\$526,502,093	\$54,371,617	\$70,147,382	\$651,021,093	\$57,512,926	\$69,388,435	\$653,403,454
State Special Revenue							
Traffic Safety Distribution	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
Total State Special	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
Federal Special Revenue							
Federal School Foods Programs	\$22,164,929	\$1,108,247	\$0	\$23,273,176	\$2,271,905	\$0	\$24,436,834
ESEA - Title I - Assistance to Disadvantaged	41,869,959	2,100,210	0	43,970,169	4,100,210	0	45,970,169
ESEA Title II - Teacher & Principal Training	17,309,684	582,881	0	17,892,565	1,082,881	0	18,392,565
ESEA Title III-Language Acquisition	561,232	0	0	561,232	0	0	561,232
ESEA Title IV Drug Free & 21 st Cent Schools	6,366,474	119,418	0	6,485,892	119,418	0	6,485,892
ESEA Title V & VI - Innovative Ed & Rural	939,618	0	0	939,618	0	0	939,618
ESEA Title X - Ed of Homeless Children	104,736	0	0	104,736	0	0	104,736
IDEA	32,361,825	2,969,254	0	35,331,079	5,019,254	0	37,381,079
Adult Basic Education	1,212,269	0	0	1,212,269	0	0	1,212,269
Carl Perkins	2,961,327	0	0	2,961,327	0	0	2,961,327
Learn and Serve Montana	39,721	0	0	39,721	0	0	39,721
Reading First	4,512,465	237,534	0	4,749,999	387,534	0	4,899,999
Advanced Placement Fee Reimbursement	200,426	0	0	200,426	0	0	200,426
Bilingual Education	2,500	0	0	2,500	0	0	2,500
Character Education	521,924	0	0	521,924	0	0	521,924
Christa McAuliffe	25,000	0	0	25,000	0	0	25,000
Comprehensive School Reform	796,132	-796,132	0	0	-796,132	0	0
Foreign Language Assistance	64,314	0	0	64,314	0	0	64,314
Hurricane Katrina	60,750	0	0	60,750	0	0	60,750
Migrant Incentive	273,876	0	0	273,876	0	0	273,876
Rural and Low Income Schools	369,450	0	0	369,450	0	0	369,450
State Tuition Payments	-	0	0	0	0	0	0
Workforce Investment	4,399	0	0	4,399	0	0	4,399
Homeland Security	240,821	0	0	240,821	0	0	240,821
Total Federal Special	\$132,963,831	\$6,321,412	\$0	\$139,285,243	\$12,185,070	\$0	\$145,148,901
Funding							
Total General Fund	\$526,502,093	\$54,371,617	\$70,147,382	\$651,021,093	\$57,512,926	\$69,388,435	\$653,403,454
Total State Special	750,000	0	0	750,000	0	0	750,000
Total Federal Special	132,963,831	6,321,412	0	139,285,243	12,185,070	0	145,148,901
Total Distribution to Public Schools	\$660,215,924	\$60,693,029	\$70,147,382	\$791,056,336	\$69,697,996	\$69,388,435	\$799,302,355
Statutory Appropriations							
Guarantee Account - Interest & Income	\$66,684,383	\$889,948	(\$17,581,718)	\$49,992,613	\$7,383,727	(\$23,174,302)	\$50,893,808
Guarantee Account - Timber	4,891,695	(1,091,695)	0	3,800,000	(491,695)	0	4,400,000
Total Statutory	\$71,576,078	(\$201,747)	(\$17,581,718)	\$53,792,613	\$6,892,032	(\$23,174,302)	\$55,293,808

ANB

Average number belonging (ANB) is the number of children funded in the distribution to schools program. The following figure shows historical and projected ANB for the 2009 biennium. The figure also shows expected ANB when full-time kindergarten is offered. The numbers assume that in FY 2008, 80 percent of the number of kindergarten children will attend full-time kindergarten. In FY 2009 the percentage is 90 percent.

Average Number Belonging (ANB) in Montana Schools							
	Fiscal Year	Elementary	Percent Change	High School	Percent Change	Total	Percent Change
A	1996	114,734		49,045		163,779	
A	1997	114,160	-0.5%	50,582	3.1%	164,742	0.6%
A	1998	112,449	-1.5%	51,432	1.7%	163,881	-0.5%
A	1999	109,852	-2.3%	51,885	0.9%	161,737	-1.3%
A	2000	107,724	-1.9%	52,022	0.3%	159,746	-1.2%
A	2001	106,014	-1.6%	51,524	-1.0%	157,538	-1.4%
A	2002	103,633	-2.2%	50,794	-1.4%	154,427	-2.0%
A	2003	101,145	-2.4%	50,365	-0.8%	151,510	-1.9%
A	2004	99,469	-1.7%	49,999	-0.7%	149,468	-1.3%
A	2005	98,186	-1.3%	49,422	-1.2%	147,608	-1.2%
A	2006	98,817	0.6%	50,082	1.3%	148,899	0.9%
A	2007	97,406	-1.4%	49,613	-0.9%	147,019	-1.3%
E	2008	96,462	-1.0%	49,231	-0.8%	145,693	-0.9%
E	2009	95,322	-1.2%	48,409	-1.7%	143,731	-1.3%
W/ Full Time Kindergarten	2008	100,821	3.5%	49,231	-0.8%	150,052	2.1%
	2009	100,248	-0.6%	48,409	-1.7%	148,657	-0.9%

Beginning in fiscal 2006, budgeted ANB for each district is the larger of current year ANB and three-year averaged ANB.

Full-time kindergarten ANB assumes that in FY 2008 and FY 2009, 80 percent and 90 percent, respectively, of eligible kindergarten children in the state will attend full-time kindergarten.

Funding

The following table shows program funding by source, for the base year and the 2009 biennium, as adopted by the legislature.

Program Funding Table						
Local Education Activities						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 526,502,093	79.7%	\$ 651,021,093	82.3%	\$ 653,403,455	81.7%
01100 General Fund	526,502,093	79.7%	651,021,093	82.3%	653,403,455	81.7%
02000 Total State Special Funds	750,000	0.1%	750,000	0.1%	750,000	0.1%
02402 Traffic & Safety Education	750,000	0.1%	750,000	0.1%	750,000	0.1%
03000 Total Federal Special Funds	132,963,831	20.1%	139,285,243	17.6%	145,148,901	18.2%
03170 Grant Clearance Discretionary	132,963,831	20.1%	139,285,243	17.6%	145,148,901	18.2%
Grand Total	\$ 660,215,924	100.0%	\$ 791,056,336	100.0%	\$ 799,302,356	100.0%

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - K-12 BASE Aid	0.00	16,701,840	0	0	16,701,840	0.00	25,880,226	0	0	25,880,226
DP 24 - Pupil Transportation Appropriation	0.00	330,000	0	0	330,000	0.00	430,000	0	0	430,000
DP 25 - School Block Grants - HB 124	0.00	766,141	0	0	766,141	0.00	1,153,584	0	0	1,153,584
DP 26 - State Tuition Payments	0.00	606,138	0	0	606,138	0.00	606,138	0	0	606,138
DP 27 - School District Audit Filing Fee Increase	0.00	29,300	0	0	29,300	0.00	34,600	0	0	34,600
DP 28 - Special Education Increase to FY 2007 Level	0.00	997,103	0	0	997,103	0.00	1,002,142	0	0	1,002,142
DP 29 - Biennial Appropriations	0.00	131,039	0	0	131,039	0.00	131,039	0	0	131,039
DP 32 - Federal Grant Award Adjustment -	0.00	0	0	6,321,412	6,321,412	0.00	0	0	12,185,070	12,185,070
DP 36 - Higher Interest & Income in Guarantee Account	0.00	(889,948)	0	0	(889,948)	0.00	(7,383,727)	0	0	(7,383,727)
DP 37 - 2005 Special Session Funding	0.00	35,939,958	0	0	35,939,958	0.00	35,898,878	0	0	35,898,878
DP 38 - Indian Education For All-Biennial	0.00	(239,953)	0	0	(239,953)	0.00	(239,953)	0	0	(239,953)
Total Other Present Law Adjustments	0.00	\$54,371,618	\$0	\$6,321,412	\$60,693,030	0.00	\$57,512,927	\$0	\$12,185,070	\$69,697,997
Grand Total All Present Law Adjustments					\$60,693,030					\$69,697,997

DP 3 - K-12 BASE Aid - The legislature approved funding for the K-12 BASE Aid present law adjustment as defined by Section 20-9-326, MCA. It includes inflation on the basic and per-ANB entitlements and adjustments for changes in enrollment. The inflator for FY 2008 (calculated using CPI-Urban indexes for July 2002 and July 2005) is 2.76 percent. The inflator for FY 2009 (calculated using CPI-Urban indexes for July 2003 and July 2006) is 3.4 percent. However, statute limits inflation to a cap of 3 percent. ANB (number of students) are anticipated to decline 0.9 percent in FY 2008 and 1.3 percent in FY 2009. The resulting net increases in state aid to district base budgets are \$16.7 million in FY 2008 and \$25.9 million in FY 2009.

DP 24 - Pupil Transportation Appropriation - In the December 2005 Special Session, SB 1 amended 20-10-142, MCA, to raise the individual pupil transportation contract mileage rate from \$0.25 to \$0.35 effective in FY 2007. This cost is not in the base. The amount approved by the legislature is \$330,000 in FY 2008 and \$430,000 in FY 2009.

DP 25 - School Block Grants - HB 124 - Present law (20-9-630 and 632, MCA) provides for an annual 0.76 percent increase in the county transportation and school district block grants. This is a biennial appropriation increase of \$766,141 in FY 2008 and \$1,153,584 in FY 2009.

DP 26 - State Tuition Payments - The legislature approved OPI's statutory obligation for tuition payments under 20-5-324, MCA, for students placed in a school district outside their district of residence by a state agency or court. The 2005 Legislature passed HB 83, which moved the responsibility for paying the state's tuition obligation from the county superintendents to OPI starting in FY 2007. The legislature approved an appropriation of \$606,138 per year, the amount that will be spent in FY 2007.

DP 27 - School District Audit Filing Fee Increase - The legislature provided an increase in general fund authority for school district audit filing fees of \$29,300 in FY 2008 and \$34,600 in FY 2009. Payment of this fee will allow OPI to pay school district audit filing fees. Payment of this fee from the OPI to the Department of Administration is required by 2-7-514(2), MCA. This increase assumes school district revenues will increase 3.0 percent each year. This is a biennial appropriation.

DP 28 - Special Education Increase to FY 2007 Level - Maintenance of fiscal effort requirements under federal law specifies that a state may not decrease its support of special education programs from one year to the next. The state special education general fund base in FY 2006 was \$38,488,071. The state special education general fund appropriation in FY 2007 is \$39,348,289. This represents an increase over base of \$860,218 in both FY 2008 and FY 2009.

DP 29 - Biennial Appropriations - This present law adjustment establishes biennial appropriations in each year at half of the amount appropriated for the 2007 biennium. The biennial appropriations include:

- Instate treatment - \$1,949,792 - adjusted \$116,857 each year
- Secondary Vo-ed - \$2,000,000 - no adjustment needed
- Adult Basic Ed - \$550,000 - adjusted \$3 each year
- Gifted and Talented - \$500,000 - adjusted \$14,179 each year
- School Foods - \$1,297,306 - no adjustment needed

DP 32 - Federal Grant Award Adjustment - - The legislature approved an adjustment in federal spending authority for grant awards currently administered by the Office of Public Instruction. The adjustments in federal grant awards are due to normal increases in federal funding. These funds are distributed to school districts and other local education agencies. This is a biennial appropriation.

The following figure lists the areas in which increases in federal money are expected in the 2009 biennium.

Federal Grant Awards Present Law Adjustments			
	Increase / Decrease		
Programs Increased	Base 2006	Fiscal 2008	Fiscal 2009
Federal School Foods Programs	\$22,164,929	\$1,108,247	\$2,271,905
ESEA - Title I	41,869,959	2,100,210	4,100,210
ESEA Title II - Teacher & Principal Training	17,309,684	582,881	1,082,881
ESEA Title IV Drug Free & 21 st Cent Schools	6,366,474	119,418	119,418
IDEA	32,361,825	2,969,254	5,019,254
Reading First	4,512,465	237,534	387,534
Total	<u>\$124,585,336</u>	<u>\$7,117,544</u>	<u>\$12,981,202</u>
Programs Decreased			
Comprehensive School Reform	<u>\$796,132</u>	<u>(\$796,132)</u>	<u>(\$796,132)</u>

DP 36 - Higher Interest & Income in Guarantee Account - The legislature approved a reduction in general fund due to an anticipated increase in guarantee fund revenues. This increase reflects the action of the Revenue and Transportation Interim Committee in its November 15th action. The amount of the reduction in general fund BASE aid authority is \$0.9 million in FY 2008 and \$7.4 million in FY 2009.

DP 37 - 2005 Special Session Funding - The December 2005 Special Session included four new components for K-12 schools distribution. The per educator, at risk, achievement gap, and Indian education components are not included in the FY 2006 base. The biennial cost of this package is \$71.8 million, \$35.9 million in FY 2008 and \$35.9 million in FY 2009.

DP 38 - Indian Education For All-Biennial - The legislature eliminated the "Ready to Go" grants to school districts from the FY 2007 biennium and replaced them with Indian education programs in the state activities programs.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Full-Time Kindergarten										
09	0.00	13,143,203	0	0	13,143,203	0.00	15,118,813	0	0	15,118,813
DP 4 - Create Middle School Basic Entitlement										
09	0.00	507,356	0	0	507,356	0.00	508,753	0	0	508,753
DP 5 - Full-Time Kindergarten Startup - OTO										
09	0.00	10,000,000	0	0	10,000,000	0.00	0	0	0	0
DP 6 - Gifted and Talented - OTO										
09	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 7 - Special Education										
09	0.00	1,265,945	0	0	1,265,945	0.00	2,637,267	0	0	2,637,267
DP 8 - Indian Ed for All Payment - OTO										
09	0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000
DP 13 - Adult Basic and Literacy Education										
09	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 23 - School Facilities Reimbursement										
09	0.00	1,097,744	0	0	1,097,744	0.00	1,097,744	0	0	1,097,744
DP 39 - Increase Quality Per Educator Component										
09	0.00	13,138,915	0	0	13,138,915	0.00	13,270,588	0	0	13,270,588
DP 200 - GTB Ratio Adjustment to 193% (Requires Legislation)										
09	0.00	10,606,962	0	0	10,606,962	0.00	10,775,429	0	0	10,775,429
DP 204 - Licensed Professionals Added (Requires Legislation)										
09	0.00	55,539	0	0	55,539	0.00	55,539	0	0	55,539
DP 1000 - Divert State Lands Royalties to Facilities Trust										
09	0.00	17,581,718	0	0	17,581,718	0.00	23,174,302	0	0	23,174,302
Total	0.00	\$70,147,382	\$0	\$0	\$70,147,382	0.00	\$69,388,435	\$0	\$0	\$69,388,435

DP 1 - Full-Time Kindergarten - The legislature approved an increase in K-12 BASE aid for students enrolled in full-time kindergarten. This request is for \$28.3 million in the 2009 biennium to provide full-time ANB funding for students enrolled in a full-time public school kindergarten programs. This proposal does not require schools to offer a full-time kindergarten program, but provides full-time funding for those districts that choose to provide it.

The estimate of \$13.1 million per year in FY 2008 and \$15.1million in FY 2009 is based on an estimated participation rate of 80 percent in FY 2008 and 90 percent in FY 2009 of the state's 10,300 kindergarten students. These participation rates are the executive's best estimate given that not all schools have the facilities or staff to offer full-time kindergarten and not all parents would choose to enroll their students in a full-time program. SB 2 includes the legislation needed to implement the program.

DP 4 - Create Middle School Basic Entitlement - The legislature approved a new middle school basic entitlement of \$62,075. This increases general fund in the amount of \$1.0 million during the 2009 biennium. The current basic entitlement for districts with a middle school is a weighted average where grades K-6 receive the elementary basic entitlement and grades 7 and 8 receive the high school basic entitlement. A slightly higher middle school basic entitlement would be cost neutral statewide. The new basic entitlement will mean some K-8 schools will have higher basic entitlements and some lower than under current law. Districts with current high proportions of 7th and 8th graders will have lower budget authority under the new law, and districts with low proportions of 7th and 8th graders will have higher budget authority under the new law. The new middle school basic entitlement is inflated to \$62,083 for FY 2009 and will be inflated in the future.

DP 5 - Full-Time Kindergarten Startup - OTO - The legislature approved \$10 million in one-time-only money for full-time kindergarten startup costs. This money could be used to develop space, buy materials, and hire new staff to develop a full-time kindergarten program. The distribution method was included in SB 2. The amount is approximately \$1,000 per kindergarten student.

DP 6 - Gifted and Talented - OTO - The legislature approved a one-time-only distribution of \$1.0 million per year in the 2009 biennium to temporarily expand the state's gifted and talented program. The on-going program is \$250,000 per year and is distributed on a grant basis. This OTO money would be distributed on a similar basis.

DP 7 - Special Education - The legislature approved \$3.9 million for the 2009 biennium to provide an inflationary increase in the state appropriation for special education based on the same inflationary adjustment included for basic and per ANB entitlements in DP 3, section 20-9-326, MCA. The inflator for FY 2008 is 2.76 percent. The inflator for FY 2009 is 3.0 percent. ANB (number of students) are anticipated to decline 0.9 percent in FY 2008 and 1.3 percent in FY 2009.

DP 8 - Indian Ed for All Payment - OTO - The legislature approved \$1.5 million in each year of the 2009 biennium in one-time-only money for Indian Education for All payments to schools' miscellaneous fund on a per ANB basis.

DP 13 - Adult Basic and Literacy Education - The legislature approved an increase in the adult basic and literacy education (ABLE) appropriation of \$255,000 per year in state general fund. The total appropriation would increase to \$525,000 per year.

DP 23 - School Facilities Reimbursement - To promote safe school facilities and as a measure of taxpayer fairness, Montana has established a statutory formula for providing state payments to low property tax wealth school districts to assist with debt service payments on school bonds. The state school facility reimbursement expenditure in the base year was \$9,411,293 general fund. The legislature approved an increase in the appropriation by \$1,097,744 each year of the 2009 biennium. This is a restricted biennial appropriation.

DP 39 - Increase Quality Per Educator Component - The per quality educator component was created by the legislature in the December 2005 Special Session of \$2,000 per qualified educator. The legislature approved a new per educator payment of \$3,036 in FY 2008 and \$3,042 in FY 2009. This increases state base aid by \$13.2 million in FY 2008 and \$13.3 million in FY 2009.

DP 200 - GTB Ratio Adjustment to 193% (Requires Legislation) - The legislature approved a GTB ratio adjustment from 175% to 193% allowing additional GTB aid to districts of \$10.61 million in FY 2008 and \$10.78 million in FY 2009.

DP 204 - Licensed Professionals Added - The legislature approved adding psychologists and social workers to the list of eligible educators qualifying for the quality educator payment. This will add \$110,000 to base aid to schools during the 2009 biennium.

DP 1000 - Divert State Lands Royalties to Facilities Trust - The legislature diverted \$40.7 million in royalties earned on school lands to a facilities trust. This money under present law funds BASE Aid. Saving this money requires that general fund make up the difference.